

ABSTRACT

A method is provided for evaluating a portfolio of leased depreciable items subject to uncertain occurrences affecting residual value. In essence, the method comprises identifying uncertain occurrences which affect residual value, estimating the probabilities of the occurrences and when they will happen, and estimating the value of the portfolio as a function of the probabilities of the occurrences, their distribution in time and estimates of the depreciated value. Advantageously, the estimates of portfolio value can also include adjustments for inflation and the resale experience. The method can readily be expanded to accommodate complex portfolios including plural categories of items subject to different depreciation schedules and adjustments. The risk of residual value loss can then be measured by the change in estimated value, and appropriate reserves can be provided for the risk.